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SUBJECT: MAHARASHTRA ELECTIONS: EASY RIDE FOR INCUMBENTS WILL LIKELY  
DIM PRESSURE TO REVAMP AGRICULTURE AND INFRASTRUCTURE

REF: MUMBAI 364

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[11](#). (SBU) Summary: In the Maharashtra state elections October 13, the incumbent Congress-Nationalist Congress Party (NCP) Democratic Front (DF) alliance appears poised to return to power despite lackluster governance, according to interlocutors and pollsters. The main reasons are the splintering of the anti-government vote by the emergent Maharashtra Navnirman Sena (MNS), an unappealing Shiv Sena-Bharatiya Janata Party (BJP) opposition, and the broad trust enjoyed by Congress leaders at the center, and Congress Prime Minister Manmohan Singh's popularity in particular. A larger majority for the Congress at the expense of its coalition partner could give the party's leaders more leeway to address the state's major challenges, such as power shortages, lagging infrastructure, and uneven investment in agriculture. However, another five-year mandate may encourage DF leaders to continue their short-term governance strategies, which over the last ten years have substituted populist sloganeering for meaningful reform. End Summary.

Exit Polls Predict Incumbents' Return

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[12](#). (SBU) After several weeks of frantic campaigning, voters went to the polls in the state of Maharashtra on October 13. Political leaders have been barnstorming the state; the Congress, in particular, has brought in national leaders over the last few days, including Prime Minister Manmohan Singh, who campaigned in Mumbai on Sunday, as well as Congress Party President Sonia Gandhi, and son Rahul Gandhi. While the votes won't be counted until October 22, two major exit polls predicted that the Congress-NCP coalition would emerge victorious for a third time in a row, winning 125 to 135 seats in a 288-member house. Both the polls predicted that the Shiv Sena-Bharatiya Janata Party (BJP) coalition would garner between 110 to 120 seats. The polls estimated that the Maharashtra Navnirman Sena (MNS) of Raj Thackeray, a Shiv Sena spin-off, would get between 8 to 12 seats. The exit polls are in consonance with two earlier major opinion polls that gauged voters' intentions in the last week of September.

[13](#). (SBU) According to political scientist Suhas Palshikar,

polls in Maharashtra have historically exaggerated the Congress advantage slightly, due to the tendency of voters to club together votes for both present and former members of the Congress party. However, despite this proviso, Palshikar was certain that the Congress-NCP would have an edge in government formation. The polls' prediction echoed the commonly-heard view that the DF would return to power in the state. Senior Maharashtra Times editors Pratap Asbe and Ashok Panvalkar told Congenoffs that the four urban conglomerations of Mumbai, Nasik, Pune and Thane contribute 100 out of 288 seats to the assembly, after the recent redrawing of constituencies. The MNS would likely siphon votes from the Shiv Sena-BJP alliance in these seats, ensuring that the DF returns to power.

Poor Governance No Bar

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¶4. (SBU) The widespread opinion in the state -- even by members of the ruling coalition -- is that the DF has largely squandered its ten years in power, making the most minimal attempts to implement infrastructure, power, irrigation, and other development projects. Their greatest advantage is the positive image of the Congress government at the center, and the respect most Indians have for PM Singh. Indeed, PM Singh himself acknowledged in a campaign speech, "We could have done better in your state." His most persuasive argument for voting for the DF was that its tenets and philosophy were "secular." Many of the state's most successful programs were those initiated by the central government -- such as the National Urban Renewal Mission and the Prime Minister's Rural Roads Mission -- and implemented by the Maharashtra bureaucracy. The debt relief package for farmers announced in 2006 was also largely conceived and funded

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by the central government, and implemented through India's government-run and cooperative banks. A Pune businessman told Congenoff that state-level Congress politicians are benefitting from the goodwill that exists for Prime Minister Manmohan Singh, and young Congress leader Rahul Gandhi. "There is a wide belief that these two mean well, and talk sense," he said.

¶5. (SBU) The DF's lackluster performance is largely due to the constant demands of politicking within the DF coalition. However, many voters, aware of the major development successes achieved in neighboring Gujarat, voice dissatisfaction freely about how little this government has achieved. For instance, in a survey carried out by Hindustan Times, a whopping 84 percent of self-selecting respondents indicated that none of the major political parties can solve the problems of food price inflation and unemployment. Overall, while there are compelling issues in rural Maharashtra -- food prices, power shortages, farmer suicides -- rural voters are likely to support those candidates they can identify with most closely on local, caste, or religious affinities in the hopes of sympathetic treatment or patronage on an individual basis, as experience has proven that politicians have failed to actually do anything systematic about these problems.

Since Everyone is Awful, Let's Try the New Guy

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¶6. (SBU) The widespread dissatisfaction with the mainstream political parties has helped the MNS. Despite the MNS's reputation for using thuggery and intimidation as a political

tool, curiously, many of its candidates are social activists, professionals, and first-time candidates who have not been affiliated with any political party in the past, offering the widest selection of fresh faces among all the parties. Aiming to capture votes from people dissatisfied with the mainstream political parties, MNS posits itself as a new party unencumbered by family dynasties and long-time loyalties. The party also offers an opportunity for aspiring politicians to join at a senior level. As Raj Thackeray struggled to build his party in the state, he welcomed candidates across the ideological spectrum. Raj hopes that he can win seats with good local candidates, and worry about party unity later. He will surely take votes away from Shiv Sena and BJP candidates in almost all constituencies; even if MNS candidates don't come close to winning, they may draw enough votes away from the Sena or BJP candidate to tip the race to the DF. Political pundit Kumar Ketkar told PolCons that Raj Thackeray will continue to be a major force in state politics in the coming election, and throughout the next five years at the least.

#### "Rebels" Complicating the Election

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17. (SBU) In this election, there is a record number of independent candidates -- over 1800 -- including 117 "rebels," party members who have been denied the right to contest and have chosen to run anyway outside of their parties. The seat sharing agreements -- where coalition parties determined which party would field the candidate in a constituency -- produced the first round of rebels, as the leading candidate from the "losing" party chose to run anyway. Many erstwhile claimants to a party ticket have also turned rebel candidates, as tickets went to family members of leading politicians or outsiders. The majority of rebels are from the DF stable, indicative of the continued tension within the coalition. Tellingly, given the enormous sums of money running for office now requires, the plethora of independents may also be an indication of rising overall prosperity; as Maharashtrians begin to make money in business -- legitimate and illegitimate -- they see politics as the next logical step. With the rise in real estate prices throughout the state, newly-prosperous large farmers and developers have entered politics, knowing that control over land allocations is the key to the fortunes of their family and

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clans. The Congress has said that these rebels will be taken back into the party if victorious; indeed, this has given rise to a "black market" of political support, as some NCP and Congress leaders have surreptitiously supported the candidates of their choice, whether the "official" candidate or not.

#### Tough Decisions on the Horizon for the Next Government

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18. (SBU) Given the non-performance of the Congress-NCP government over the last ten years, Maharashtra is in many ways approaching a crossroads, and the next government will need to make some tough decisions. First, Maharashtra will need to consider restructuring its agricultural sector. The 150 cooperative sugar-mills of South Central Maharashtra (controlled by leading politicians of Congress-NCP and BJP) are sick, propped up only by repeated infusion of subsidized government loans. The sugar-cane crop is a water guzzler, and Maharashtra's water table is sinking fast. The sugar belt needs to diversify to less water-intensive crops, and the government needs to incentivize other crops, so that farmers can shift to

higher value crops, or move off the land. But a power structure dominated by sugar barons is unlikely to show the political will to dismantle the sugar industry.

¶9. (SBU) Second, urban infrastructure is under severe stress due to development, industrialization, and economic migration. In the four major cities of Mumbai, Pune, Thane, and Nasik, it is estimated that 50 to 60 percent of the people live in non-permanent housing, or slums. From some of the best infrastructure 30 or more years ago, roads, sewage lines, and water pipes are all in various states of disrepair. Property rates are anachronistically low in cities, and do not pay for utilities. The mainstay of Mumbai's operating budget comes from "octroi," an entry tax for goods coming into the city which burdens the poor unfairly. With the Union Government's announcement that India will move to a General Sales Tax regime by April 2010, the removal of octroi looms large on city government finances. City governments have to find new and better ways of financing their operations, and they cannot implement tax and utilities price reforms without backing by the urban development and finance ministries of the state.

¶10. (SBU) Comment: As India's second largest state, and a major Congress/BJP battleground, a victory for the Congress and allies would be a major confidence booster for the Congress-led coalition at the center. It would further demoralize the BJP, and cause consternation for the Shiv Sena. One hopes that a new DF coalition - with greater urban representation, due to redistricting -- could lead to the development of more infrastructure projects such as the Bandra-Worli sea link, a focus on Mumbai to arrest its decline as a city, and a resolve to improve the investment and business environment. However, since the DF coalition consists of two rivals competing for the same rural vote share, there is no guarantee that the coalition will not again squander its potential in competitive populist moves, like building a \$70 million monument to Maharashtra's 17th century icon Shivaji, rather than meaningfully reforming state agriculture which could trade short term pain for long term sustainability - always a difficult political proposition. End Comment.  
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